Bermaz Auto

Strong Recovery Path

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OUTPERFORM ↔

Price: **RM0.86**

Target Price: **RM1.10 ↔**

BAUTO's 9MFY26 results met expectations, staging another strong recovery quarter with its 3QFY26 core net profit soaring 90% on favourable sales mix with encouraging sales from its CBU models. This was largely driven by Mazda 3 1.5L sales (33% of total 3Q sales), followed by CX-30, CX-5, CX-60, and CX-8. On another note, sales delivery of Mazda 3 1.5L may be slightly delayed due to international logistics slow-down from the Middle-East war. Pending further details on the development, we maintain our forecast for now. The demand for Mazda 3 continues to outpace delivery with backlog of 2.5k units (70% of total backlog). We maintain our forecasts, TP of RM1.10 and maintain our OUTPERFORM call.

Its 9MFY26 core net profit came in within expectations at 76% our forecast, but above consensus at 80% of the full-year estimate. Note that, the delivery of the Mazda 3 1.5L for upcoming 4QFY26 may be slightly delayed due to international logistics slow-down from the Middle-East war. Pending further details on the development, we maintain our forecast for now and will re-visit the quantum of the impact in our upcoming update report. We have forecasted CBU Mazda 3 sales of 500 units a month. Each week of shipping disruption would amount to RM15m revenue to be recognized in next financial year.

It declared an interim NDPS of 1.75 sen for the quarter, bringing 9MFY26 NDPS to 3.75 sen vs. 15.25 sen in 9MFY25, as expected.

QoQ, its 3QFY26 revenue soared 23% on stronger demand for Mazda vehicles (+31%) and sustained demand for CBU delivery of Xpeng vehicles (+30%), partly offset by the phasing out of Kia and Peugeot vehicles. The encouraging sales came from its CBU models largely driven by the Mazda 3 1.5L sales (33% of total 3Q sales) and supported by in the order of CX-30, CX-5, CX-60, and CX-8. Its core net profit almost doubled on favourable sales mix, despite weaker associates (losses of RM11.3m compared to losses of RM6.6m in 2QFY26) largely from losses from Kia Malaysia Sdn Bhd which was selling on discounted basis (Kia vehicles sales was higher by 188% on the final inventory before expected fully phasing out in FY27).

YoY, its 9MFY26 revenue fell 17% dragged by weak demand for Mazda vehicles (-25% to 8,132 units), the phasing out of Kia vehicles (-7% to 661 units) and Peugeot vehicles dealership (fully sold), which are facing intense competition from the influx of Chinese-made vehicles with low entry-level price points. This was partially offset by strong sales of Xpeng vehicles (+146% to 1,223 units) which started in 2QFY25. In terms of geographical breakdown, lower sales of 8,860 units (-21%) and 1,156 units (-13%) were recorded in both Malaysia and the Philippines, respectively, as competition heightened.

Its core net profit plunged by a steeper 57% due to: (i) unfavourable sales mix, and (ii) associates sliding into losses of RM27.3m compared to profit of RM14.4m, represented largely by contract vehicle assembler Mazda Malaysia Sdn Bhd (a small loss of RM0.8m vs. profit of RM8.5m in 9MFY25), Inokom Corporation Sdn Bhd (losses of RM4.4m vs. profit of RM6.5m in 9MFY25) and Kia Malaysia Sdn Bhd (losses of RM21.6m vs. profit of RM0.2m in 9MFY25) on lower production level.

Forecasts. Maintained.

Valuations. We also maintained our TP of RM1.10 on unchanged 9x CY27 PER which is at 2x multiple discounts to the sector's average

Share Price Performance

KLCI	1,711.01
YTD KLCI chg	1.8%
YTD stock price chg	21.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BAUTO MK Equity
Market Cap (RM m)	976.5
Shares Outstanding	1,135.4
52-week range (H)	1.18
52-week range (L)	0.50
3-mth avg. daily vol.	4,875,772
Free Float	59%
Beta	1.3

Major Shareholders

Dynamic Milestone Sdn Bhd	16.5%
Amanah Saham Nasional	7.6%
Lembaga Tabung Haji	7.0%

Summary Earnings Table

FY Apr (RM m)	2025A	2026F	2027F
Revenue	2,623.8	1,788.1	2,260.5
EBIT	212.7	86.6	144.6
PBT	224.3	106.2	167.9
Net Profit	**155.9**	**77.0**	**121.7**
Consensus (NP)	-	72.9	102.7
Earnings Revision	-	-	-
Core EPS (sen)	13.4	6.6	10.5
Core EPS Growth (%)	-54.9	-50.6	58.1
NDPS (sen)	16.8	5.3	8.4
BVPS (RM)	0.57	0.51	0.46
PER (x)	6.4	13.0	8.2
PBV (x)	1.5	1.7	1.9
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	19.5	6.2	9.7

forward PER of 11x and also the same discounts to BAUTO's 5-year average historical PER. Our PER valuation of 9x reflects it reverting to historical level of above 1k units/ month and to its historical profit base of RM100m. We expect earnings risk to subside for non-nationals space especially the competition in mid-market and luxury segments with the stricter barrier of entry of new EV brands/models (RM250k floor price and localisation policy). There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 5).

Investment case. We like BAUTO for: (i) its strong near-term earnings visibility backed by a total order backlog of 3,500 units - Mazda (240 units for CX-60, 2,500 units for M3 1.5L, 760 units for others), Xpeng (150 units) and BAP (150 units), (ii) its premium mid-market Mazda brand that offers superior margins, and (iii) its attractive dividend yield of about 7%. We expects BAUTO to benefit from the recent weakening of JPY against MYR, more so, as it expands its new Mazda launches towards CBU (CBU/CKD mix of 50%/50% expected in FY26 vs 40%/60% in FY25) such as its CX-60, CX-80 and Mazda 3 have garnered strong demand from the market especially for its all-new Mazda 3 (RM118,900 for the 1.5L High Plus model) which offers an attractive price point compared to previous launches. Maintain **OUTPERFORM**.

In response to the Chinese automakers' localisation plan, BAUTO has acquired a strategic stake of 11.54% in EP Manufacturing Bhd (EPMB) which provides contract assembly for key Chinese models which will enable BAUTO to benefit (as well as better control over its Xpeng brand localisation) from the expected stronger sales of Chinese value-for-money offerings. Key Chinese models include Xpeng G6 SUV and X9 MPV (BAUTO is the exclusive dealership and distributorship for Xpeng), GWM Haval H6 Hybrid, GWM Jolion, GWM Wey G9 MPV, BAIC BJ40P, X55II SUV and currently in the critical stage for localisation of MG vehicles. Moreover, for Mazda, it currently focuses on Japanese Domestic Market (JDM) niche market value-for-money offerings to boost its near-to-mid-term earnings, while on the longer horizon, it is currently in negotiation for a better pricing for its upcoming models such as the long-awaited all-new Mazda CX-5 (CBU by July 2026, CKD by 2027).

Risks to our call include: (i) consumers cutting back on discretionary spending (particularly big-ticket items like new cars) amidst high inflation, (ii) supply chain disruptions, (iii) escalating input costs, and (iv) MYR weakens against JPY.

Results Highlights

FYE Apr (RM m)	3Q FY26	2Q FY25	QoQ Chg	3Q FY25	YoY Chg	9M FY26	9M FY25	YoY Chg
Revenue	**683.2**	**556.5**	**23%**	**602.1**	**13%**	**1,731.0**	**2,095.1**	**-17%**
EBIT	70.2	35.2	99%	35.1	100%	134.2	177.3	-24%
Associates	(11.3)	(6.6)	-71%	0.3	-4392%	(27.3)	14.4	-289%
PBT/(LBT)	59.6	28.4	110%	34.8	71%	106.9	189.7	-44%
Taxation	(21.1)	(10.1)	-109%	(8.6)	-146%	(39.6)	(45.3)	13%
Minority Interest	(5.8)	(1.1)	-442%	(2.1)	-178%	(9.2)	(9.6)	
Net profit	**32.6**	**17.2**	**90%**	**24.1**	**35%**	**58.1**	**134.7**	**-57%**
EPS (sen)	2.9	0.7	303%	2.1	38%	4.3	11.5	-63%
DPS (sen)	1.75	1.25	0.4	1.75	-	3.75	15.25	
EBIT margin	10.3%	6.3%		5.8%		7.8%	8.5%	
PBT margin	8.7%	5.1%		5.8%		6.2%	9.1%	
Net Profit margin	4.8%	3.1%		4.0%		3.4%	6.4%	
Effective tax rate	35.5%	35.7%		24.7%		37.0%	23.9%	

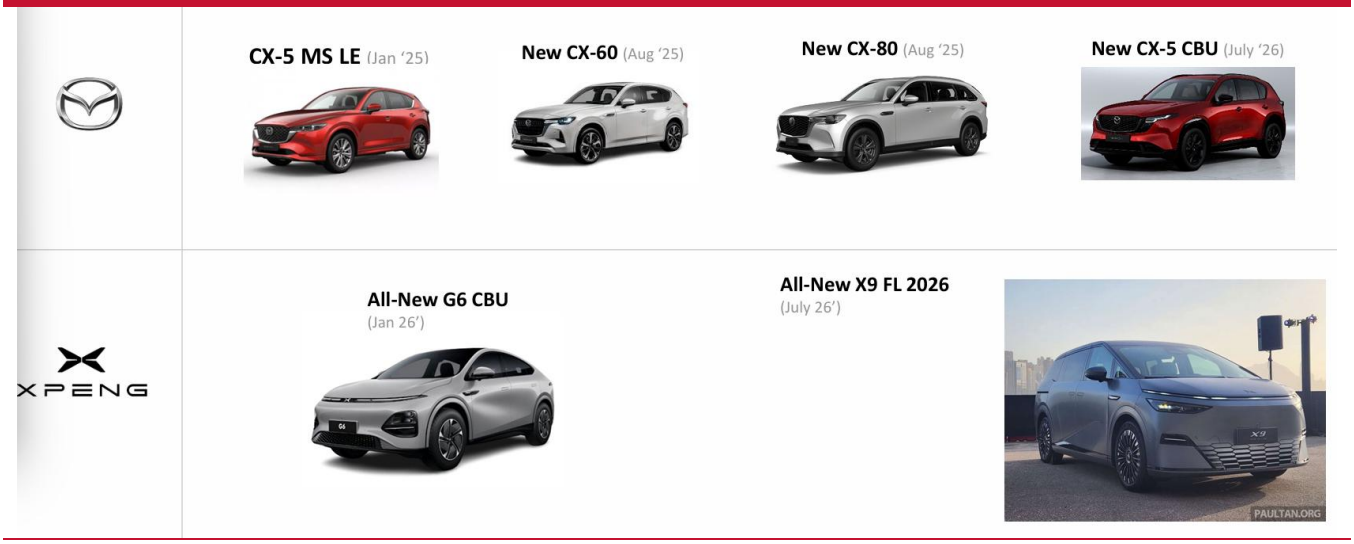
Source: Company, Kenanga Research

Unit Sales

	3Q FY26	2Q FY25	QoQ Chg	3Q FY25	YoY Chg	9M FY26	9M FY25	YoY Chg
Mazda	3,443	2,632	31%	2,963	16%	8,132	10,845	-25%
Peugeot	-	-	-	2	-100%	-	444	-100%
Kia	346	120	188%	259	34%	661	711	-7%
Xpeng	473	364	30%	341	39%	1,223	497	146%
Total	**4,262**	**3,116**	**37%**	**3,565**	**20%**	**10,016**	**12,497**	**-20%**

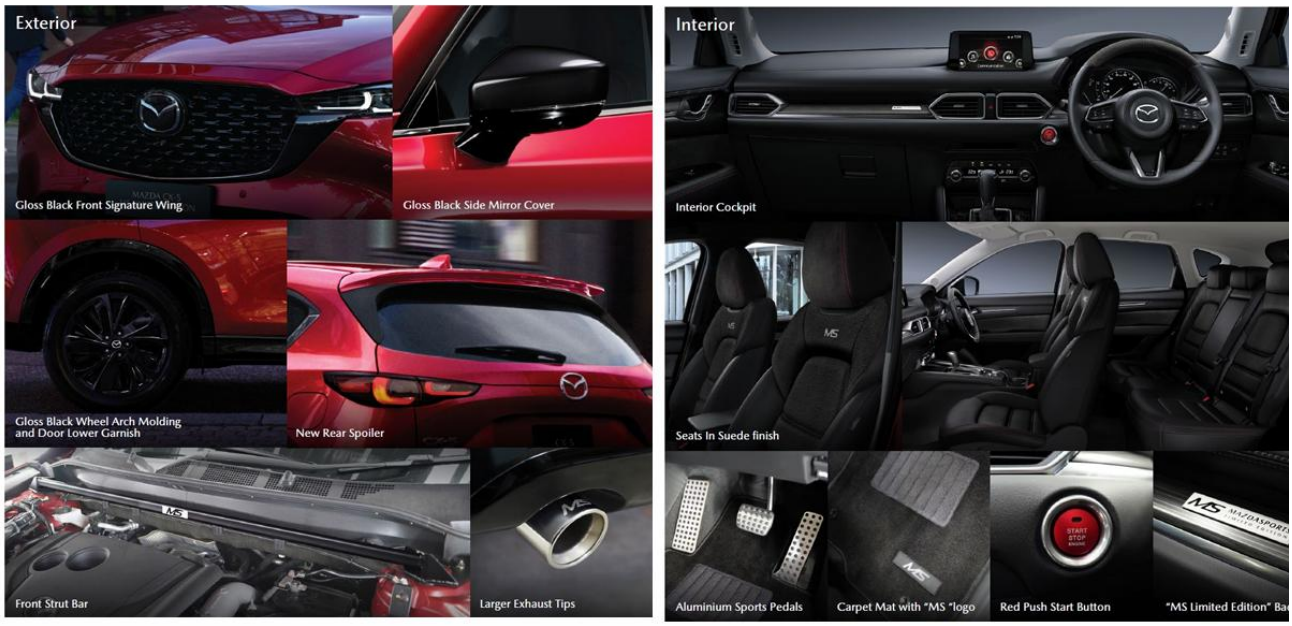
Source: Company, Kenanga Research

Exhibit 1: BAUTO's New Models in CY2025/26



Source: Company, Kenanga Research

Exhibit 2: BAUTO's New Mazda CX-5 MS LE (July 2026)



Source: Company, Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
BERMAZ AUTO BHD	OP	0.860	1.10	27.9%	998.5	Y	04/2026	6.6	10.5	-50.6%	58.1%	13.0	8.2	1.3	10.4%	5.3	6.2%
DRB-HICOM BHD	UP	1.10	0.620	-43.6%	2,126.3	Y	12/2025	5.1	5.4	55.4%	6.3%	21.5	20.2	0.2	0.9%	3.0	2.7%
HIL INDUSTRIES BHD	OP	0.730	0.850	16.4%	242.3	Y	12/2025	11.2	11.4	2.8%	2.3%	6.5	6.4	0.5	7.2%	2.0	2.7%
HONG LEONG INDUSTRIES BHD	OP	16.98	18.90	11.3%	5,567.7	Y	06/2026	157.4	160.6	2.7%	2.0%	10.8	10.6	2.2	21.4%	110.0	6.5%
MBM RESOURCES BHD	MP	5.02	4.90	-2.4%	1,962.3	Y	12/2025	81.6	82.2	-5.9%	0.7%	6.1	6.1	0.7	11.5%	45.0	9.0%
SIME DARBY BHD	OP	2.34	2.75	17.5%	15,914.3	Y	06/2026	19.8	21.5	15.6%	8.1%	11.8	10.9	0.8	7.0%	14.0	6.0%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.480	0.290	-39.6%	322.6	Y	12/2025	(27.2)	(25.6)	-189.1%	-194.2%	N.A.	N.A.	0.1	-7.2%	1.0	2.1%
SECTOR AGGREGATE					**27,134.0**					**7.6%**	**8.3%**	**12.3**	**11.3**	**0.7**	**5.6%**		**5.0%**

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Electric & Hybrid Vehicles Availability	★	★	★		
	Supply Chain Management	★	★	★	★	
	Energy Efficiency	★	★	★		
	Effluent & Water Management	★	★	★	★	
	Training & Education	★	★	★	★	
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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